

UNITED OVERSEAS BANK (MALAYSIA) BHD
(Company No. 271809-K)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 September 2009

Domiciled in Malaysia
Registered Office:
Level 11, Menara UOB
Jalan Raja Laut,
50350 Kuala Lumpur

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED BALANCE SHEETS AS AT 30 September 2009**

	Notes	Group		Bank	
		30-Sep-09 RM'000	31-Dec-08 RM'000	30-Sep-09 RM'000	31-Dec-08 RM'000
ASSETS					
Cash and short-term funds		5,132,492	7,846,411	5,132,492	7,846,411
Securities purchased under resale agreements		216,563	98,921	216,563	98,921
Deposits and placements with financial institutions		249,228	748,301	249,228	748,301
Held-for-trading securities	11	1,641,252	1,074	1,641,252	1,074
Available-for-sale ("AFS") securities	11	4,860,288	3,616,172	4,860,288	3,616,172
Loans, advances and financing	12	27,131,850	27,586,016	27,131,850	27,586,016
Other assets	13	313,438	286,048	314,000	286,616
Statutory deposits with Bank Negara Malaysia		4,800	733,500	4,800	733,500
Investment in subsidiaries		-	-	51	51
Investment in associates		167,412	164,632	122,733	122,733
Investment Property		8,685	8,820	8,685	8,820
Property, plant and equipment		231,651	238,036	231,310	237,668
Prepaid land lease payments		41,094	41,590	41,094	41,590
Deferred tax assets		55,946	55,946	55,964	55,964
Total assets		40,054,699	41,425,467	40,010,310	41,383,837
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	14	28,538,757	30,011,882	28,538,757	30,011,882
Deposits and placements of banks and other financial institutions	15	5,021,096	4,287,077	5,021,511	4,287,491
Bills and acceptances payable		2,314,596	3,268,531	2,314,596	3,268,531
Amount due to Cagamas		126,591	137,112	126,591	137,112
Other liabilities	16	600,981	698,624	600,981	698,617
Taxation		79,893	37,175	79,900	37,178
Total liabilities		36,681,914	38,440,401	36,682,336	38,440,811
Financed by :					
Share Capital		470,000	470,000	470,000	470,000
Reserves		2,902,785	2,515,066	2,857,974	2,473,026
SHAREHOLDERS' EQUITY		3,372,785	2,985,066	3,327,974	2,943,026
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		40,054,699	41,425,467	40,010,310	41,383,837
COMMITMENTS AND CONTINGENCIES	23	48,311,091	45,534,687	48,311,091	45,534,687

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**

	Notes	Group		Bank	
		30-Sep-09 RM'000	30-Sep-08 RM'000	30-Sep-09 RM'000	30-Sep-08 RM'000
Operating revenue		1,553,442	1,665,698	1,553,442	1,665,698
Interest income	17	1,255,227	1,469,212	1,255,227	1,469,212
Interest expenses	18	(548,155)	(750,565)	(548,155)	(750,565)
Net interest income		707,072	718,647	707,072	718,647
Other operating income	19	307,089	205,669	307,089	205,669
Operating income		1,014,161	924,316	1,014,161	924,316
Other operating expenses	20	(350,431)	(373,758)	(350,422)	(373,758)
Profit before allowance		663,730	550,558	663,739	550,558
Allowance for losses on loans, advances and financing	21	(108,050)	(159,342)	(108,050)	(159,350)
Provision for commitments and contingencies		(3,446)	(648)	(3,446)	(648)
Net income		552,234	390,568	552,243	390,560
Share of profit of associates (net of tax)		2,780	7,146	-	-
Profit before taxation		555,014	397,714	552,243	390,560
Taxation					
- Bank and subsidiary companies		(138,144)	(98,538)	(138,144)	(98,523)
Profit after taxation		416,870	299,176	414,099	292,037
Basic earnings per share (sen)		88.7	63.7		

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**

GROUP	← Non-distributable →					Distributable	
	Share Capital	Share Premium	Statutory Reserves	Revaluation Reserves	Revaluation Reserves-AFS	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2009</u>							
Balance as at 1 January 2009	470,000	322,555	470,000	60,804	21,745	1,639,962	2,985,066
Net profit for the year	-	-	-	-	-	416,870	416,870
Net unrealised loss on AFS securities	-	-	-	-	(1,304)	-	(1,304)
Dividends paid :							
- final dividend for the year ended 31 December 2008	-	-	-	-	-	(27,847)	(27,847)
Balance as at 30 September 2009	470,000	322,555	470,000	60,804	20,441	2,028,985	3,372,785

2008

Balance as at 1 January 2008	470,000	322,555	470,000	59,831	(3,247)	1,425,031	2,744,170
Net profit for the year	-	-	-	-	-	299,176	299,176
Net unrealised loss on AFS securities	-	-	-	-	(12,327)	-	(12,327)
Dividends paid :							
- final dividend for the year ended 31 December 2007	-	-	-	-	-	(173,900)	(173,900)
Balance as at 30 September 2008	470,000	322,555	470,000	59,831	(15,574)	1,550,307	2,857,119

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	← Non-distributable →					Distributable	
	Share Capital	Share Premium	Statutory Reserves	Revaluation Reserves	Revaluation Reserves-AFS	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2009	470,000	322,555	470,000	75,696	21,745	1,583,030	2,943,026
Net profit for the year	-	-	-	-	-	414,099	414,099
Net unrealised loss on AFS securities	-	-	-	-	(1,304)	-	(1,304)
Dividends paid :							
- final dividend for the year ended 31 December 2008	-	-	-	-	-	(27,847)	(27,847)
Balance as at 30 September 2009	470,000	322,555	470,000	75,696	20,441	1,969,282	3,327,974

2008

Balance as at 1 January 2008	470,000	322,555	470,000	74,723	(3,247)	1,371,341	2,705,372
Net profit for the year	-	-	-	-	-	292,037	292,037
Net unrealised loss on AFS securities	-	-	-	-	(12,327)	-	(12,327)
Dividends paid :							
- final dividend for the year ended 31 December 2007	-	-	-	-	-	(173,900)	(173,900)
Balance as at 30 September 2008	470,000	322,555	470,000	74,723	(15,574)	1,489,478	2,811,182

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED CASH FLOW STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**

	Group		Bank	
	30-Sep-09 RM'000	30-Sep-08 RM'000	30-Sep-09 RM'000	30-Sep-08 RM'000
Cash Flows From Operating Activities				
Profit before taxation	555,014	397,714	552,243	390,560
Adjustments for non-cash items	47,522	61,076	50,249	68,183
Operating profit before changes in working capital	602,536	458,790	602,492	458,743
Changes in working capital :				
Net changes in operating assets	(683,029)	(491,805)	(683,024)	(491,865)
Net changes in operating liabilities	(1,864,848)	4,028,370	(1,864,839)	4,028,435
Income tax paid	(95,414)	(133,846)	(95,414)	(133,846)
Net cash generated (used in)/from operating activities	(2,040,755)	3,861,509	(2,040,785)	3,861,467
Net cash generated (used in)/from investing activities	(1,144,390)	308,573	(1,144,360)	308,615
Net cash used in financing activities	(27,847)	(173,900)	(27,847)	(173,900)
Net changes in cash and cash equivalents	(3,212,992)	3,996,182	(3,212,992)	3,996,182
Cash and cash equivalents at beginning of the period	8,594,712	1,867,593	8,594,712	1,867,593
Cash and cash equivalents at end of the period	5,381,720	5,863,775	5,381,720	5,863,775

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2009

1. Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 September 2009 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the revised GP8 guidelines issued by Bank Negara Malaysia.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2008.

2. Changes in Accounting Policies

The significant accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous financial year, except for the early adoption of IC Interpretation 13: Customer Loyalty Programmes.

The following are the Financial Reporting Standards ("FRSs") and IC Interpretations which have been issued by the Malaysian Accounting Standards Board ("MASB") as of the balance sheet date but are not yet effective:

FRS, Amendments to FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 123: Borrowing Costs	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Bank upon their initial application.

The Group and the Bank are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2009

3. Audit Report

The audit report on the audited annual financial statements for the year ended 31 December 2008 was not subject to any qualification.

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank during the financial period ended 30 September 2009.

5. Comments about Seasonal or Cyclical Factors

The business operations of the Group and the Bank are not materially affected by any seasonal or cyclical fluctuations.

6. Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the financial period ended 30 September 2009.

7. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities during the financial period ended 30 September 2009.

8. Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost / valuation less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost and directors' valuation. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the financial period ended 30 September 2009.

9. Significant Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial statements.

10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period ended 30 September 2009.

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11. SECURITIES PORTFOLIO**(i) Held-for-trading**

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
At fair value:		
Bank Negara Malaysia bills	552,392	-
Malaysian Government treasury bills	18,036	-
Malaysian Government securities	928,200	-
Bankers' acceptances and Islamic accepted bills	142,624	-
Private debt securities	-	1,074
Total held-for-trading securities	<u>1,641,252</u>	<u>1,074</u>

(ii) Available-for-sale

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
At fair value:		
Money market instruments:		
Bank Negara Malaysia bills	619,610	639,161
Malaysian Government treasury bills	19,913	-
Malaysian Government securities	2,161,923	867,320
Negotiable instruments of deposits	830,038	920,399
Cagamas Notes/Bonds	723,492	396,136
Private debt securities	473,330	760,012
	<u>4,828,306</u>	<u>3,583,028</u>
Quoted securities :		
Shares of corporations in Malaysia	1,342	1,862
Corporate loan stocks	1,201	6,069
	<u>2,543</u>	<u>7,931</u>
At cost:		
Unquoted securities :		
Shares	29,163	24,937
Private debt securities	276	276
	<u>29,439</u>	<u>25,213</u>
Total available-for-sale securities	<u>4,860,288</u>	<u>3,616,172</u>

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12. LOANS, ADVANCES AND FINANCING**(i) By type**

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
Overdrafts	2,465,935	2,667,272
Term loans and revolving credits		
Housing loans	10,856,419	10,278,098
Syndicated term loan	187,073	196,766
Other term loans/financing	8,557,728	8,977,655
Credit cards receivable	911,409	946,782
Bills receivable	130,958	109,357
Trust receipts	643,416	824,098
Staff loans	94,740	100,733
Others	3,948	11,933
	23,851,626	24,112,694
Claims on customers under acceptance credits	3,987,316	4,349,495
Less : Unearned interest	(22,208)	(22,872)
Gross loans, advances and financing	27,816,734	28,439,317
Allowance for bad and doubtful debts and financing		
- Specific	(258,215)	(426,112)
- General	(426,669)	(427,189)
Net loans, advances and financing	27,131,850	27,586,016

(ii) By type of customer

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
Domestic non-bank financial Institutions		
- stockbroking companies	4	8
- Others	95,882	120,728
Domestic business enterprises		
- Small medium enterprises	6,720,332	6,736,092
- Others	6,096,321	7,383,104
Individuals	12,911,274	12,584,469
Other domestic entities	-	167
Foreign entities	1,992,921	1,614,749
	27,816,734	28,439,317

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12. LOANS, ADVANCES AND FINANCING (CONTINUED)**(iii) By interest/profit rate sensitivity**

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
Fixed rate		
Housing loans/financing	81,401	99,901
Other fixed rate loan/financing	1,334,526	1,009,148
Variable rate		
BLR plus	25,476,879	25,901,090
Cost-plus	635,036	862,631
Other variable rates	288,892	566,547
	<u>27,816,734</u>	<u>28,439,317</u>

(iv) Loans, advances and financing analysed by sectors are as follow :

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	100,513	104,734
Mining and quarrying	13,837	23,227
Manufacturing	4,712,824	5,299,541
Electricity, gas and water	8,199	7,669
Construction	1,648,161	1,758,885
Wholesale & retail trade and restaurants & hotels	4,341,121	4,452,525
Transport, storage and communication	322,099	554,572
Finance, insurance and business services	783,196	1,056,513
Real estate	882,715	880,992
Community, social and personal services	80,504	88,603
Households	14,921,421	14,209,916
of which: - purchase of residential properties	11,407,201	10,762,690
- purchase of non residential properties	1,212,054	1,171,878
- others	2,302,166	2,275,348
Others	2,144	2,140
	<u>27,816,734</u>	<u>28,439,317</u>

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12. LOANS, ADVANCES AND FINANCING (CONTINUED)(v) **Movements in the non-performing loans, advances and financing ("NPL") are as follows:**

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
Balance as at 1 January	1,197,845	1,037,482
Non-performing during the period/year	561,936	761,139
Recoveries	(267,398)	(199,143)
Reclassified as performing	(155,512)	(231,752)
Amount written off	(315,346)	(169,881)
Balance as at 30 September / 31 December	<u>1,021,525</u>	<u>1,197,845</u>
Specific allowance (SA)	<u>(258,215)</u>	<u>(426,112)</u>
Net non-performing loans, advances and financing	<u>763,310</u>	<u>771,733</u>
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	<u>2.8%</u>	<u>2.8%</u>

(vi) **Movements in allowance for losses on loans, advances and financing are as follows:**

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
<u>General allowance</u>		
Balance as at 1 January	427,189	384,739
Allowance made during the period/year	-	42,450
Amount written back	(520)	-
Balance as at 30 September / 31 December	<u>426,669</u>	<u>427,189</u>
% of gross loans, advances and financing (excluding loan to Government) less specific allowance	<u>1.5%</u>	<u>1.5%</u>
<u>Specific allowance</u>		
Balance as at 1 January	426,112	341,847
Allowance made during the period/year	207,083	323,730
Amount written back in respect of recoveries	(59,063)	(68,885)
Amount written off	(315,917)	(170,580)
Balance as at 30 September / 31 December	<u>258,215</u>	<u>426,112</u>

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12. LOANS, ADVANCES AND FINANCING (CONTINUED)

(vii) Non-performing loans, advances and financing analysed by sectors are as follows:

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	2,524	3,608
Manufacturing	387,377	446,921
Construction	31,667	27,516
Wholesale & retail trade and restaurants & hotels	125,713	185,839
Transport, storage and communication	3,887	7,159
Finance, insurance and business services	7,858	73,136
Real estate	18,937	12,099
Community, social and personal services	1,670	10,172
Households	441,892	431,395
of which: - purchase of residential properties	352,318	303,085
- purchase of non residential properties	21,579	19,023
- others	67,995	109,287
	1,021,525	1,197,845

13. OTHER ASSETS

	Group		Bank	
	Sep-09	Dec-08	Sep-09	Dec-08
	RM'000	RM'000	RM'000	RM'000
Other debtors, deposits and prepayments	183,298	159,266	183,247	159,214
Derivatives - assets	20,077	23,740	20,077	23,740
Accrued interest receivable	66,788	51,115	66,788	51,115
Amount due from subsidiaries	-	-	613	620
Precious metal accounts	39,250	47,878	39,250	47,878
Foreclosed properties	4,025	4,049	4,025	4,049
	313,438	286,048	314,000	286,616

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14. DEPOSITS FROM CUSTOMERS**(i) By type of deposit**

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
Demand deposits	4,954,960	3,949,979
Savings deposits	2,265,903	1,819,370
Fixed deposits	16,477,264	16,678,220
Negotiable instruments of deposits	500,431	508,364
Money market deposits	3,984,360	6,383,633
Others	355,839	672,316
	<u>28,538,757</u>	<u>30,011,882</u>

(ii) By type of customer

	Group and Bank	
	Sep-09	Dec-08
	RM'000	RM'000
Business enterprise	12,206,266	13,244,422
Individuals	15,187,373	15,183,014
Others	1,145,118	1,584,446
	<u>28,538,757</u>	<u>30,011,882</u>

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	Sep-09	Dec-08	Sep-09	Dec-08
	RM'000	RM'000	RM'000	RM'000
Licensed banks	846,053	641,692	846,468	642,106
Bank Negara Malaysia	710,107	684,401	710,107	684,401
Licensed Investment Bank	115,000	-	115,000	-
Other financial institutions	3,349,936	2,960,984	3,349,936	2,960,984
	<u>5,021,096</u>	<u>4,287,077</u>	<u>5,021,511</u>	<u>4,287,491</u>

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16. OTHER LIABILITIES

	Group		Bank	
	Sep-09 RM'000	Dec-08 RM'000	Sep-09 RM'000	Dec-08 RM'000
Provision for commitments and contingencies	5,270	1,825	5,270	1,825
Accrued interest payable	147,521	213,220	147,521	213,220
Accruals and provisions for operational expenses	70,648	78,312	70,648	78,305
Derivatives - liabilities	142,004	150,112	142,004	150,112
Other accruals and provisions	235,538	255,155	235,538	255,155
	<u>600,981</u>	<u>698,624</u>	<u>600,981</u>	<u>698,617</u>

17. INTEREST INCOME

	Group and Bank	
	Sep-09 RM'000	Sep-08 RM'000
Loans and advances		
- Interest income other than recoveries from NPLs	973,514	1,075,602
- Recoveries from NPLs	55,422	58,503
Money at call and deposit placements with financial institutions	130,389	223,846
Held-for-trading securities	14,977	9,587
Available-for-sale securities	109,262	118,126
Others	1,324	1,342
	<u>1,284,888</u>	<u>1,487,006</u>
Amortisation of premium less accretion of discount	(17,703)	(5,986)
Net interest suspended	(11,958)	(11,808)
	<u>1,255,227</u>	<u>1,469,212</u>

18. INTEREST EXPENSES

	Group and Bank	
	Sep-09 RM'000	Sep-08 RM'000
Deposits and placements of banks and other financial institutions	53,132	169,698
Deposits from other customers	481,759	568,537
Loans sold to Cagamas	4,385	7,117
Others	8,879	5,213
	<u>548,155</u>	<u>750,565</u>

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19. OTHER OPERATING INCOME

	Group and Bank	
	Sep-09	Sep-08
	RM'000	RM'000
<u>Fee income</u>		
Commission	61,055	73,181
Guarantee Fees	17,143	19,265
Service charges and fees	83,715	92,463
Commitment fees	14,686	15,311
Arrangement and participation fees	1,877	5,604
	<u>178,476</u>	<u>205,824</u>
<u>Investment income</u>		
Loss from sale of held-for-trading securities	(10,215)	(4,293)
Gain from sale of available-for-sale securities	31,599	20,294
Unrealised gain/(loss) of held-for-trading securities	37,581	(94,718)
Gross dividends from :		
- Investment securities in Malaysia	475	1,212
	<u>59,440</u>	<u>(77,505)</u>
Other income :		
Foreign exchange gain/(loss)		
- realised	117,125	(21,327)
- unrealised	(60,196)	86,358
Rental receivable from operating leases, other than those relating to investment properties	181	173
Rental income from investment properties	450	450
Gain on disposal of property, plant and equipment	(28)	8
Other operating income	2,739	2,513
Other non operating income	8,902	9,175
	<u>69,173</u>	<u>77,350</u>
	<u><u>307,089</u></u>	<u><u>205,669</u></u>

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20. OTHER OPERATING EXPENSES

	Group		Bank	
	Sep-09 RM'000	Sep-08 RM'000	Sep-09 RM'000	Sep-08 RM'000
Personnel costs	193,246	203,274	192,858	202,337
Establishment costs	79,552	78,074	79,410	77,906
Marketing expenses	18,000	32,527	18,657	33,816
General administrative expenses	59,633	59,883	59,497	59,699
	350,431	373,758	350,422	373,758
<u>Personnel costs</u>				
Salaries, allowance and bonuses	151,909	161,138	151,581	160,339
Employees Provident Fund Contributions (EPF)	23,808	25,164	23,765	25,061
Others	17,529	16,972	17,512	16,937
	193,246	203,274	192,858	202,337
<u>Establishment costs</u>				
Depreciation	29,581	29,234	29,528	29,187
Hire of equipment	42	52	42	52
Information technology costs	8,065	7,731	8,064	7,731
Repair and maintenance	12,380	13,804	12,345	13,753
Rental of premises	6,373	5,696	6,337	5,647
Others	23,111	21,557	23,094	21,536
	79,552	78,074	79,410	77,906
<u>Marketing expenses</u>				
Advertising and publicity	5,486	14,039	5,485	14,008
Others	12,514	18,488	13,172	19,808
	18,000	32,527	18,657	33,816
<u>General administrative expenses</u>				
Auditors' remuneration	158	-	158	-
Fees and commissions paid	26,025	26,068	25,973	26,005
Others	33,450	33,815	33,366	33,694
	59,633	59,883	59,497	59,699

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21. ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group		Group and Bank	
	Sep-09 RM'000	Sep-08 RM'000	Sep-09 RM'000	Sep-08 RM'000
Allowance for bad and doubtful debts on loans, advances and financing				
(a) Specific allowance (net)				
- made in the financial period	207,083	229,377	207,083	229,377
- written back in the financial period	(59,063)	(49,637)	(59,063)	(49,637)
(b) General allowance				
- (Written back)/made in the financial period	(520)	36,450	(520)	36,450
Bad debts on loans, advances and financing				
- written off	(31)	1,045	(31)	1,045
- recovered	(39,419)	(57,893)	(39,419)	(57,885)
	<u>108,050</u>	<u>159,342</u>	<u>108,050</u>	<u>159,350</u>

22. CAPITAL ADEQUACY

	Sep-09 RM'000	Dec-08 RM'000
Bank		
<u>Tier I capital</u>		
Paid-up share capital	470,000	470,000
Share premium	322,555	322,555
Retained profits	1,837,859	1,583,030
Statutory reserves	470,000	470,000
Less: Deferred tax assets	(55,964)	(55,964)
Total Tier I Capital	<u>3,044,450</u>	<u>2,789,621</u>
<u>Tier II capital</u>		
Property revaluation reserve	36,971	37,848
General allowance for losses on loans, advances and financing	426,669	427,189
Total Tier II capital	<u>463,640</u>	<u>465,037</u>
Total capital	3,508,090	3,254,658
Less: Investment in subsidiaries	(51)	(51)
Capital base	<u>3,508,039</u>	<u>3,254,607</u>

The capital adequacy ratios of the Bank are as follows :

Capital ratios

Core capital ratio (incl. mkt risk)	12.38%	10.24%
Risk-weighted capital ratio (incl. mkt risk)	<u>14.26%</u>	<u>11.95%</u>

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23. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Group and Bank	Sep-09			Dec-08		
	Principal Amount RM'000	Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	1,316,292	1,316,292	1,028,535	2,030,489	2,030,489	1,979,023
Transaction-related contingent items	1,094,417	547,209	328,610	1,175,132	587,566	421,497
Short-term self-liquidating trade-related contingencies	355,641	71,128	64,558	314,687	62,937	58,805
Irrevocable commitments to extend credit						
- maturity more than one year	1,463,101	-	-	2,044,316	1,022,158	838,627
- maturity less than one year	12,305,562	-	-	12,263,089	-	-
Foreign exchange related contracts +						
- less than one year	5,220,463	96,071	23,287	2,991,346	110,378	30,977
- one year to less than five year	679,707	54,779	11,043	1,231,206	87,163	17,433
Interest rates related contracts +						
- less than one year	3,598,000	17,931	3,586	2,817,510	21,955	4,391
- one year to less than five year	16,933,537	619,913	123,983	17,347,608	736,183	146,784
- 5 years and above	1,930,000	169,175	33,835	2,180,162	276,896	55,379
Others	3,414,371	-	-	1,139,142	-	-
Total	48,311,091	2,892,498	1,617,437	45,534,687	4,935,725	3,552,916

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

+ Foreign exchange and interest rate contracts for the Group and the Bank are subject to market risk and credit risk.

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24. INTEREST / PROFIT RATE RISK

Interest rate risk is the risk to earnings and economic value of the bank caused by fluctuations in interest rates.

Interest rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Bank's policies as approved by the Asset Liability Committee.

The following table shows the interest rate sensitivity gap, by time bands based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual dates due to prepayments of loans and withdrawal of deposits.

Group
As at 30 September 2009

	----- Non-trading book ----->						Trading book	Total	Effective Interest Rate %
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short term funds	4,882,924	-	-	-	-	249,568	-	5,132,492	2.01
Securities purchased under repo	166,630	49,933	-	-	-	-	-	216,563	2.02
Deposits and placements with CB & FI	-	249,228	-	-	-	-	-	249,228	2.85
Held-for-trading securities	-	-	-	-	-	-	1,641,252	1,641,252	4.29
Available-for-sale securities	879,649	649,942	291,082	2,876,463	131,170	31,982	-	4,860,288	2.83
Loans, advances and financing									
-performing	19,613,918	1,676,711	1,068,914	1,482,119	360,493	2,160,935	-	26,363,090	5.12
-non-performing	-	-	-	-	-	768,760	-	768,760	
Other assets	-	-	-	-	-	823,026	-	823,026	
	<u>25,543,121</u>	<u>2,625,814</u>	<u>1,359,996</u>	<u>4,358,582</u>	<u>491,663</u>	<u>4,034,271</u>	<u>1,641,252</u>	<u>40,054,699</u>	
Liabilities									
Deposits from customers	15,279,179	3,454,307	6,059,291	284,354	-	3,461,626	-	28,538,757	2.12
Deposits and placements of CB & FI	4,950,422	2,955	18,063	-	-	49,656	-	5,021,096	1.36
Bills and acceptances payable	3,125	6,497	338	-	-	2,304,636	-	2,314,596	2.69
Amount due to Cagamas	960	15,631	7,818	102,182	-	-	-	126,591	4.53
Other liabilities	-	-	-	-	-	680,874	-	680,874	
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	
Reserves	-	-	-	-	-	2,902,785	-	2,902,785	
	<u>20,233,686</u>	<u>3,479,390</u>	<u>6,085,510</u>	<u>386,536</u>	<u>-</u>	<u>9,869,577</u>	<u>-</u>	<u>40,054,699</u>	
On B/S Interest Sensitivity Gap	5,309,435	(853,576)	(4,725,514)	3,972,046	491,663	(5,835,306)	1,641,252	-	
Off B/S Interest Sensitivity Gap	(2,851,311)	2,869,723	739,896	(858,308)	100,000	-	-	-	
Total Interest Sensitivity Gap	<u>2,458,124</u>	<u>2,016,147</u>	<u>(3,985,618)</u>	<u>3,113,738</u>	<u>591,663</u>	<u>(5,835,306)</u>	<u>1,641,252</u>	<u>-</u>	

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24. INTEREST / PROFIT RATE RISK (CONTINUED)
Group

As at 31 December 2008

	<----- Non-trading book ----->						Trading book	Total	Effective Interest Rate %
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short term funds	7,506,598	-	-	-	-	339,813	-	7,846,411	3.34
Securities purchased under repo	98,921	-	-	-	-	-	-	98,921	2.95
Deposits and placements with CB & FI	-	704,157	44,144	-	-	-	-	748,301	5.39
Held-for-trading securities	-	-	-	-	-	-	1,074	1,074	3.89
Available-for-sale securities	662,033	767,765	783,189	459,858	910,183	33,144	-	3,616,172	3.74
Loans, advances and financing									
-performing	20,445,149	3,140,089	1,594,194	1,427,462	219,156	-	-	26,826,050	6.27
-non-performing	-	-	-	-	-	759,966	-	759,966	
Other assets	-	-	-	-	-	1,528,572	-	1,528,572	
	28,712,701	4,612,011	2,421,527	1,887,320	1,129,339	2,661,495	1,074	41,425,467	
Liabilities									
Deposits from customers	14,969,360	4,534,424	6,232,204	766,747	-	3,509,147	-	30,011,882	2.83
Deposits and placements of CB & FI	3,165,118	632,607	381,985	-	-	107,367	-	4,287,077	2.58
Bills and acceptances payable	19,914	6,015	-	-	-	3,242,602	-	3,268,531	5.36
Amount due to Cagamas	924	1,858	22,528	111,802	-	-	-	137,112	4.36
Other liabilities	-	-	-	-	-	735,799	-	735,799	
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	
Reserves	-	-	-	-	-	2,515,066	-	2,515,066	
	18,155,316	5,174,904	6,636,717	878,549	-	10,579,981	-	41,425,467	
On B/S Interest Sensitivity Gap	10,557,385	(562,893)	(4,215,190)	1,008,771	1,129,339	(7,918,486)	1,074	-	
Off B/S Interest Sensitivity Gap	(2,089,234)	3,092,595	(570,120)	(423,078)	(10,163)	-	-	-	
Total Interest Sensitivity Gap	8,468,151	2,529,702	(4,785,310)	585,693	1,119,176	(7,918,486)	1,074	-	

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24. INTEREST / PROFIT RATE RISK (CONTINUED)
Bank

As at 30 September 2009

	<----- Non-trading book ----->						Trading book	Total	Effective Interest Rate %
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short term funds	4,882,924	-	-	-	-	249,568	-	5,132,492	2.01
Securities purchased under repo	166,630	49,933	-	-	-	-	-	216,563	2.02
Deposits and placements with CB & FI	-	249,228	-	-	-	-	-	249,228	2.85
Held-for-trading securities	-	-	-	-	-	-	1,641,252	1,641,252	4.29
Available-for-sale securities	879,649	649,942	291,082	2,876,463	131,170	31,982	-	4,860,288	2.83
Loans, advances and financing									
-performing	19,613,918	1,676,711	1,068,914	1,482,119	360,493	2,160,935	-	26,363,090	5.12
-non-performing	-	-	-	-	-	768,760	-	768,760	
Other assets	-	-	-	-	-	778,637	-	778,637	
	25,543,121	2,625,814	1,359,996	4,358,582	491,663	3,989,882	1,641,252	40,010,310	
Liabilities									
Deposits from customers	15,279,179	3,454,307	6,059,291	284,354	-	3,461,626	-	28,538,757	2.12
Deposits and placements of CB & FI	4,950,837	2,955	18,063	-	-	49,656	-	5,021,511	1.36
Bills and acceptances payable	3,125	6,497	338	-	-	2,304,636	-	2,314,596	2.69
Amount due to Cagamas	960	15,631	7,818	102,182	-	-	-	126,591	4.53
Other liabilities	-	-	-	-	-	680,881	-	680,881	
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	
Reserves	-	-	-	-	-	2,857,974	-	2,857,974	
	20,234,101	3,479,390	6,085,510	386,536	-	9,824,773	-	40,010,310	
On B/S Interest Sensitivity Gap	5,309,020	(853,576)	(4,725,514)	3,972,046	491,663	(5,834,891)	1,641,252	-	
Off B/S Interest Sensitivity Gap	(2,851,311)	2,869,723	739,896	(858,308)	100,000	-	-	-	
Total Interest Sensitivity Gap	2,457,709	2,016,147	(3,985,618)	3,113,738	591,663	(5,834,891)	1,641,252	-	

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24. INTEREST / PROFIT RATE RISK (CONTINUED)
Bank

As at 31 December 2008

	<----- Non-trading book ----->						Trading book	Total	Effective Interest Rate %
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short term funds	7,506,598	-	-	-	-	339,813	-	7,846,411	3.34
Securities purchased under repo	98,921	-	-	-	-	-	-	98,921	2.95
Deposits and placements with CB & FI	-	704,157	44,144	-	-	-	-	748,301	5.39
Held-for-trading securities	-	-	-	-	-	-	1,074	1,074	3.89
Available-for-sale securities	662,033	767,765	783,189	459,858	910,183	33,144	-	3,616,172	3.74
Loans, advances and financing									
-performing	20,445,149	3,140,089	1,594,194	1,427,462	219,156	-	-	26,826,050	6.27
-non-performing	-	-	-	-	-	759,966	-	759,966	
Other assets	-	-	-	-	-	1,486,942	-	1,486,942	
	<u>28,712,701</u>	<u>4,612,011</u>	<u>2,421,527</u>	<u>1,887,320</u>	<u>1,129,339</u>	<u>2,619,865</u>	<u>1,074</u>	<u>41,383,837</u>	
Liabilities									
Deposits from customers	14,969,360	4,534,424	6,232,204	766,747	-	3,509,147	-	30,011,882	2.83
Deposits and placements of CB & FI	3,165,532	632,607	381,985	-	-	107,367	-	4,287,491	2.58
Bills and acceptances payable	19,914	6,015	-	-	-	3,242,602	-	3,268,531	5.36
Amount due to Cagamas	924	1,858	22,528	111,802	-	-	-	137,112	4.36
Other liabilities	-	-	-	-	-	735,795	-	735,795	
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	
Reserves	-	-	-	-	-	2,473,026	-	2,473,026	
	<u>18,155,730</u>	<u>5,174,904</u>	<u>6,636,717</u>	<u>878,549</u>	<u>-</u>	<u>10,537,937</u>	<u>-</u>	<u>41,383,837</u>	
On B/S Interest Sensitivity Gap	10,556,971	(562,893)	(4,215,190)	1,008,771	1,129,339	(7,918,072)	1,074	-	
Off B/S Interest Sensitivity Gap	(2,089,234)	3,092,595	(570,120)	(423,078)	(10,163)	-	-	-	
Total Interest Sensitivity Gap	<u>8,467,737</u>	<u>2,529,702</u>	<u>(4,785,310)</u>	<u>585,693</u>	<u>1,119,176</u>	<u>(7,918,072)</u>	<u>1,074</u>	<u>-</u>	

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25. PERFORMANCE REVIEW

The Group registered a strong pre-tax profit of RM555.0million for the nine months ended 30 September 2009, an increase of RM157.3million or 39.6% as compared to the corresponding period last year. The growth was mainly attributed to higher other operating income, lower expenses and lower allowance for losses on loans and financing.

Other operating income was at RM307.1million, rose by RM101.4million or 49.3% mainly contributed by higher trading gains. With disciplined cost control, total expenses decreased by RM23.3million or 6.2% to RM350.4million while overhead to total income ratio improved to 34.6% from 40.4% in the corresponding period last year.

Allowances for losses on loans and financing decreased by RM51.3million or 32.2% to RM108.1million while the NPL ratio maintained at 2.8%. Lower allowances for losses on loans and financing were contributed by lower net specific provision as well as write back of general provision due to slight reduction in customer loans over the period.

26. PROSPECTS FOR 2009

The Malaysian economy showed signs of a recovery in second quarter 2009 evidenced by slower pace of economic contraction at 3.9% as compared to 6.2% in the first quarter, underpinned by higher public spending and positive growth in private consumption. This brings Malaysia's GDP growth for the first half of this year to -5.1%. With the improved economic conditions, the Malaysian government may revise its full-year forecast for the economy of this year, which currently stands at between -4% and -5 %. The business environment continues to be supportive with the government implementing various stimulus packages to help the economy to stabilise and recover in the medium term.

The Group continues to be vigilant in monitoring and managing risks, exercise tight control over expenses and stay focus on its long term goals and core businesses. The Group is confident to deliver a satisfactory result for 2009.